

No. 5051

IN THE

United States Circuit Court of Appeals

For the Ninth Circuit

CLAUDE REES, et al.,

VS.

NORMAN LOMBARD, et al.,

Appellants,

Appellees.

PETITION FOR MODIFICATION OF JUDGMENT RENDERED
AUGUST 1, 1927, BY UNITED STATES CIRCUIT COURT
OF APPEALS FOR THE NINTH CIRCUIT.

ALEXANDER D. KEYES,
HERBERT W. ERSKINE,
MORSE ERSKINE,

Humboldt Bank Building, San Francisco,

Attorneys for Appellees.

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F. D. MONCKTON.



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The judgment of this court was as follows:

“The decree will be modified to exclude relief both injunctive and compensative on account of the two patent applications, otherwise it is affirmed without costs of appeal to either party.”

We respectfully submit that the judgment of this court should be modified to allow and require an accounting from the defendants not only for the infringement of the patent involved in this action but for all violations of the license agreement incidental to and growing out of such infringement, including the infringement of the inventions embraced within the two applications for patent. The basis of this court's decree refusing relief on account of the inven-

tions embraced within the two patent applications is stated in the following sentence of its opinion:

“But the court cannot in a suit for infringement of the patent make the contract the primary subject matter of the action and vindicate rights thereunder *which are in nowise involved in or incidental to the question of infringement.*”
(Italics ours.)

In our opinion the rule just announced is:

(1) Not applicable to the facts of this case because the rights to the exclusive use of the unpatented inventions vindicated by the decree of the lower court *were involved in and incidental to the infringement of the patented invention*, and

(2) Contrary to the rule established in the federal courts by that line of cases of which *Vogue Co. v. Vogue Hat Co.*, 12 Fed. Rep. 2nd Series, 991, is the latest and best pronouncement, *which holds that if the federal equity court has jurisdiction because the question of infringement of a patent or trade-mark is involved, it can vindicate other rights violated by the same acts which constituted the infringement, even though the rights violated are not patent rights and even though relief for the patent infringement is denied.*

We will discuss these two propositions in the order named. Before doing so, however, we deem it proper to call attention to the fact that these propositions, to which the above quoted portion of this court's decision refers, were not discussed in our brief and in the arguments, and the authorities and facts relating

thereto were not called to the attention of this court. Without the facts about to be related before it, there was nothing to show this court that the infringement of the unpatented inventions, the exclusive right to which the license agreement gave to the corporation, were involved in and incidental to the infringement of the patented invention. It was natural, therefore, without its attention being called to the following facts, that this court should conclude that there was no connection between the infringement of the patented invention and the rights violated by the use of the unpatented invention. The following facts indicate conclusively, however, that there was such a connection and *that one was involved in and incidental to the other.*

I.

PATENTED AND UNPATENTED INVENTIONS EMBODIED IN ONE DEVICE, SO THAT MANUFACTURE AND SALE OF SUCH DEVICE VIOLATED THE CORPORATION'S RIGHTS TO THE UNPATENTED INVENTIONS AT THE SAME TIME IT INFRINGED THE CORPORATION'S RIGHTS TO THE PATENTED INVENTION.

The license agreement gave to the corporation the right to use three inventions covered by three applications for patents. (R. 36, 37.) These applications and the names of the inventions covered thereby are set forth in the license agreement and are as follows:

(a) Application Serial No. 351,538, filed January 15, 1920, for letters patent of the United States *for Drying Apparatus*;

(b) Application Serial No. 429,298, filed December 9, 1920, for letters patent of the United States *for System for Drying Substances*;

(c) Application Serial No. 408,703, filed September 7, 1920, for letters patent of the United States *for Radiator for Drying Apparatus*.

A patent was issued in April, 1922, before this action was brought, on the first application for patent. *Patents were issued on the second and third applications after the commencement of this action.* It can be seen from the mere names given the different inventions, to wit, Drying Apparatus, System for Drying Substances and Radiator for Drying Apparatus, that they are all related to the same thing and all adapted for the same purpose to wit, the drying of vegetables and fruit. *These inventions are all embodied in one device.* This is the device referred to in the license agreement as an *evaporator* (R. 46, 47), and referred to by the parties as plants or as evaporators. (Lombard's Testimony, R. 139; Hine's Testimony, R. 202, 203, 204 and 220.) *This was a device upon which a royalty of \$55.00 a truck capacity thereof was to be paid.* (See: License agreement, R. 48.) In other words the royalty to be paid is not divided up and a portion thereof allocated to each of the inventions, but is a lump sum for a device, which embodied all the inventions both patented and unpatented. The evaporators manufactured and sold by defendants embodied all of these inventions and the royalty that was paid covered not only the patented invention, but also the unpatented inventions. Accordingly the manufacture and

sale of a plant or evaporator by the defendants *not only constituted the infringement of the patented invention but at the same time by the same acts constituted the violation of the defendants' agreement giving the corporation the exclusive use of the unpatented inventions.* Every act, which infringed the patented invention simultaneously violated the license agreement respecting the unpatented inventions. The same controversy, to wit, the validity of the license agreement and the same facts respecting that validity are involved in the violation of the rights of the corporation to the unpatented inventions created by the license agreement as well as they are in the infringement of the patented invention. The conspiracy of defendants to strip the corporation of its license; the attempted cancellation of that license; the manufacture and sale by defendants of the device embodying all these inventions caused both the infringement of the patent and the violation of the corporation's rights under the license to the unpatented inventions. When the defendants did these things they wronged the corporation, first by the infringement of the patented invention and second by the violation of the license agreement, giving the corporation the exclusive right to manufacture and sell the unpatented inventions. The wrong committed was one wrong, but it violated these two different rights in the one act.

Moreover as the patented and unpatented inventions were embodied in the same device an accounting for the infringement of one must of necessity include the others. Any accounting respecting the infringement of the patented invention involves an accounting re-

specting the infringement of the unpatented inventions. It is impossible to say when an evaporator or plant was sold by the defendants what profits the corporation lost and what damage it suffered was attributable to the infringement of the patented invention, as distinguished from the unpatented inventions and vice versa. Therefore, the right to an accounting for the infringement of the patented invention is inextricably involved with the right to an accounting for the infringement of the unpatented inventions. Unquestionably the corporation is entitled to both accountings. It seems a mistake, therefore, to require it to seek an accounting for the infringement of a patent in the federal equity court, which under the authorities it must do, for a federal court has exclusive jurisdiction of patent suits, and to require it to commence another action in another forum based upon the same act or wrong for the infringement of the unpatented inventions, for the same relief, to wit, an accounting for the manufacture and sale of the same devices involved in the accounting in this action. Such a course leads to a multiplicity of suits, and to a circuitous roundabout method of accomplishing a result, which could be accomplished easily and simply by the accounting ordered by the decree of the lower court. Such a course leads to a multiplicity of proceedings to get redress for damages all caused by the same act. Such a course in our opinion is violative of the equitable principle that once a court of equity has obtained jurisdiction of a cause it will give complete relief even though it would not have had jurisdiction to grant that relief if it alone had been sought. (See:

McGowan v. Parish, 35 Sup. Court Rep. 543-548; *Camp v. Boyd*, 33 Sup. Ct. Rep. 785 at page 793; 21 C. J. 134.)

We respectfully submit that it is clearly established that the right of the corporation to redress for the violation by the defendants of its exclusive agreement for the use of these unpatented inventions are involved in and inseparably connected with the right to redress for the infringement of the patent. We submit that the statement of the court in its opinion quoted on page 2 hereof is therefore not applicable to the facts, and that the rights growing out of the contract vindicated by the decree of the lower court are inseparably bound up with and involved in the infringement of the patent, and that the decree of the lower court was not too broad but was proper.

From the record as quoted and from an examination of the license agreement there can be no doubt that the device, to wit, an evaporator or plant sold by the defendants embodied not only the patented invention but the unpatented invention. This is actual fact and can be demonstrated by overwhelming evidence. But if there should be any dispute as to whether or not these unpatented inventions as well as the patented invention were all embodied in the same device and were all necessarily involved in the infringement of the patent and incidental thereto, would it not be better to let the lower court or a master determine this rather than deny the corporation an accounting in connection with the use of these unpatented inventions, when such an accounting is inextricably bound up

with or involved in the accounting for the infringement of the patented invention?

II.

A FEDERAL COURT IN AN ACTION FOR AN INFRINGEMENT OF A PATENT CAN VINDICATE RIGHTS VIOLATED BY THE SAME ACT WHICH INFRINGED THE PATENT ALTHOUGH THE FEDERAL COURT IN AN ACTION BASED SOLELY ON SUCH RIGHTS WOULD NOT HAVE JURISDICTION.

Our second proposition above stated was that the paragraph of the decision of this court quoted on page 2 hereof was contrary to the rule heretofore laid down by federal courts. The latest and best pronouncement of it is in the case of *Vogue Co. v. Vogue Hat Co.* According to this rule established by these cases, *which are known as the patent-unfair competition cases*, the federal courts once having obtained jurisdiction because a patent or trade-mark is involved will retain it to redress other wrongs, besides the infringement of a patent, suffered by the aggrieved party by the same acts which infringed the patent, even though the federal court would not have had jurisdiction in an action solely involving the redress of such other wrongs. The case of *Vogue Co. v. Vogue Hat Co.*, *supra*, was an action for the infringement of a registered trade-mark, brought for that reason within the jurisdiction of the federal court and combined with it was a claim for relief on account of unfair competition. The lower court found against the plaintiff on the infringement of the trade-mark claim,

but found in its favor on the issue of unfair competition, and granted relief on that issue. An appeal was taken and it was claimed that the court had no jurisdiction to grant the relief respecting unfair competition. *Attention is called to the fact that the same acts which constituted the infringement of the trade-mark in that case also constituted the unfair competition. Likewise in the case at bar the same acts which constituted the infringement of the patent constituted the violation of the corporation's rights created by the license agreement respecting the unpatented inventions. The Vogue decision therefore is exactly in point, and it is contrary to the decision of this court in the above entitled action.*

In a splendid opinion the entire question is examined and the various authorities discussed and reconciled. Accordingly we take the liberty of quoting at length parts of this decision. The court stated the question to be discussed as follows:

“That question is, with reference to the rule that a federal court, the jurisdiction of which is invoked between citizens of the same state solely because a patent or registered trade-mark is being infringed, after deciding that controversy against the plaintiff, cannot proceed to give relief upon the ground of unfair competition, whether this rule extends not only to the cases where the patent or registered trade-mark has been held invalid, but to those cases where, though valid, it is found not to be infringed.” (Page 992.)

It is to be noted from the foregoing that in that case the federal court was determining whether or not it still had jurisdiction to grant relief against unfair

competition even though it had determined that there had been no infringement of a trade-mark. In other words even though it had determined the issue of infringement, which originally gave the court its jurisdiction, adversely to the plaintiff, nevertheless it decided that it could retain the case for the purpose of giving relief for the other rights violated. In the case at bar the plaintiffs are in a much stronger position because the issue of infringement has been determined in their favor. If the federal court will redress wrongs arising out of the same acts which it was alleged constituted the infringement even though it finds there was no infringement, a fortiori it should redress wrongs arising out of the same acts which constituted infringement when it is found an infringement was committed.

After stating the question the court then goes on to state the principle that the federal court once having acquired jurisdiction will retain it to dispose of all questions and it says at page 992:

“It is a familiar principle that, when the jurisdiction of a federal trial court is invoked upon the ground that the plaintiff presents a right arising under federal laws, *the court thereby acquires jurisdiction of the case, and it examines and decides all questions involved*, even though the federal question may be resolved against the plaintiff or may be passed without decision.”
(Italics ours.)

In support of this statement it cites two United States Supreme Court cases, *Siler v. L. & N. R. R. Co.*, 29 Sup. Ct. Rep. 451 (213 U. S. 175), and *Davis*

v. Wallace, 42 Sup. Ct. Rep. 164 (257 U. S. 478). In the *Siler* case the court said at page 455:

“The federal questions as to the invalidity of the state statute because, as alleged, it was in violation of the Federal Constitution, gave the circuit court jurisdiction, and, having properly obtained it, *that court had the right to decide all the questions in the case, even though it decided the federal questions adversely to the party raising them, or even if it omitted to decide them at all, but decided the case on local or state questions only.*” (Italics ours.)

In the case of *Davis v. Wallace* the court said at page 165:

“The case made by the bill involved a real and substantial question under the Constitution of the United States and the amount in controversy exceeded \$3,000. exclusive of interest and costs, so the case plainly was cognizable in the District Court. In such a case the jurisdiction of that court, and ours in reviewing its action, extends to every question involved, whether of federal or state law, and enables the court to rest its judgment or decree on the decision of such of the questions as in its opinion effectively dispose of the case.”

In the case of *Witchita R. & Light Co. v. Public Utilities Commission*, 43 Sup. Ct. Rep. 51 (260 U. S. 48), Judge Taft said at page 53:

“The jurisdiction of the District Court was not limited to federal questions presented by the bill, but extended to the entire suit and every question, whether federal or state, involved in its determination.”

After quoting from these decisions on this rule the court in the *Vogue* case then says:

“It also has been of common observation that, even though the only ground for invoking the reviewing jurisdiction of the Supreme Court over a District Court might have been that a constitutional question was involved, yet the Supreme Court, having the case, decides all the questions in it, *and that no matter whether the claim of constitutional right is sustained or denied.*

“It might seem that the same principle would apply in a suit for patent infringement and unfair competition. The cause of action and the relief sought are each single. In the ordinary case of this type the defendant is selling a specific article. The patentee claims that sale to be a trespass on his rights, and demands an injunction. He has two alternative or combined theories for supporting this single demand for relief. One is that the article sold is within his patent monopoly, and thus wrongfully interferes with his own business; the other is that the article is in deceptive ‘livery’, thus also interfering with his own sales; all he (sometimes at least) wants the courts to do is to stop the sale of that article, thus marked. *So it might be thought that a federal court acquiring jurisdiction of this entire controversy by virtue of the patent question, would proceed to decide all questions involved, no matter how it decided the first one.*” (Page 993.)

After reaching this conclusion it then goes on to discuss certain federal court decisions, which it was contended took a contrary position. The cases chiefly referred to are two, *Illinois Co. v. Elgin Co.*, 94 Fed. 667, referred to in this opinion as the *Elgin* case and the case of *Leschen v. Broderick*, 134 Fed. 571, referred to as the *Leschen* case. Both of these decisions held that the bill could not be sustained unless the federal right was sustained; that if the federal right

was held invalid there was no jurisdiction to hear the remainder of the quarrel between the parties who were citizens of the same state. Even these cases are not opposed to the decision of the lower court in the case at bar. They simply hold that where the issue that gave the court jurisdiction is decided against the plaintiff the court will not hear the remainder of the controversy. *They imply that if the issue, which gave the federal court jurisdiction, is decided in favor of the plaintiff they will then hear and dispose of the entire controversy between the parties even to the extent of vindicating rights not connected with the patent or trade-mark, although violated by the same acts, which constituted the infringement.* Another case referred to is *Geneva Co. v. Karpen*, 238 U. S. 254, 35 S. Ct. 788. In respect to this case they say:

“*Geneva Co. v. Karpen*, 238 U. S. 254, 255, 259, 35 S. Ct. 788, 59 L. Ed. 1295, is also now cited to the same effect; but that case seems to have presented in the end a question of venue rather than of subject-matter. It was in effect held that the restriction of personal jurisdiction over a defendant to the district of his residence (or plaintiff's) was a fundamental protection to him, and hence that the exception permitting him to be sued elsewhere for patent infringement would not be enlarged to permit him to be sued away from home also for something else, even though the two grounds of suit might otherwise be united. The decision cannot well be carried further. If the comment (page 259 (35 S. Ct. 790)), ‘The rule otherwise prevailing respecting joinder of actions in equity cases must, of course, yield to the jurisdictional statute’, *were to be taken at its fullest extent, it would be inconsistent with the rule of the Siler and Davis cases, supra, and that cannot*

Their analysis of the *Geneva* case is undoubtedly correct. It presented in the end merely a question of venue. It cannot be taken and was not intended as an abrogation of the rule of the *Siler* and *Davis* cases. In the case at bar there is a more cogent reason for holding that the court should give complete relief than there was in the *Geneva* case, or in any of the patent-unfair competition cases and that is this: In those cases it was possible to separate the relief to be granted for the infringement of the patent from the relief to be granted for the other rights violated. In the case at bar it is impossible to make such a separation. Damage suffered by reason of the infringement of the patent is inextricably bound up and involved in the damage suffered by reason of the infringement of the unpatented inventions. In other words the rights violated by the infringement of the unpatented inventions are incidental to and involved with the infringement of the patented invention. The existence of this situation in this case is an additional reason why complete relief should be given and why the *Geneva* case is not applicable.

The court then goes on to cite various United States cases, which we will hereinafter refer to, in which it has been held that where the issue of infringement was sustained the court has also given damages for unfair competition. After referring to these cases, in a masterly opinion it proceeds to analyze and dispose of the reasons advanced for the decisions in the *Elgin* and

Leschen cases. Even at the risk of being prolix we quote in part from this part of the decision:

“Three considerations have been suggested for the purpose of reconciling or fairly distinguishing the pronouncement in the *Elgin* and *Leschen* cases and the rule of the *Siler* and *Davis* cases. *The first is that the theory of expansion from one subject to all is a rule of convenience in a court of equity, and cannot be used to supply a lack of jurisdiction. To this it may be answered, not only that the Leschen case was in equity just as much as the Siler case, and that the initial incapacity of a federal equity court to consider and grant legal relief is practically equivalent to lack of jurisdiction, but also that the lack of independent jurisdiction in the Siler, Davis, Lincoln, Green, and Watts cases, to consider and decide non-federal questions, was precisely the same as the lack of initial jurisdiction in the Leschen case to consider the unfair competition. Plainly this ground of distinction is not tenable.*

“The second one is that in the *Leschen* and similar cases, the two causes of action were distinct, while in the *Siler* and similar cases they were closely related. This is merely the question of multifariousness. It was long ago decided in this circuit that, where the acts complained of were the making and selling of a particular article, the complaint that it was an infringement of a patent and the complaint that it was unfair competition did not make the bill multifarious. *Globe-Wernicke Co. v. Macey*, 119 F. 696, 703, 56 C. C. A. 304. This view has been discussed in some of the cases cited, and it seems to have been sometimes thought (188 F. 734, 242 F. 953) that, if the same acts gave rise to both complaints, jurisdiction might be held for the unfair competition, but not so if the two complaints were respectively based on different conduct by defendant. Indeed, the former view might well be inferred from the assumption stated by Mr.

Justice Holmes in the Stark Case, supra, at page 52 (41 S. Ct. 221); but it is not clear that it could survive comparison with the facts in the Leschen Case. There the use of the colored strand in the rope was the single act which was thought to be both trade-mark infringement and unfair competition; hence this reason for distinguishing is not tenable." (Page 995.) (Italics ours.)

In the case at bar the same acts gave rise to both complaints, that is, to the complaint that the patent invention was infringed, and that the right to the exclusive use of the unpatented inventions were violated. Hence, the reason given in this second consideration cannot apply in the case at bar. The third consideration discussed by the court was that the retention of jurisdiction upon the unfair competition issue depended upon the result reached as to the validity of the patent. This consideration also does not apply to the present case, because in this case the question of infringement has been determined in favor of the plaintiff. After this complete review, which is the best discussion to be found in the authorities on the question, the court then says:

"Accordingly we conclude that since the acts which in this case constitute the claimed infringement of a registered trade-mark and the claimed unfair competition, are, at least in sufficient degree, *the same acts*, and since it is to be assumed that the trade-mark registry was valid, the court had jurisdiction to enjoin the unfair competition, although it had decided that the registered trade-mark was not infringed." (Page 995.) (Italics ours.)

In our opinion this decision is clearly correct law, and is clearly conclusive of the case at bar. It is to be noted that the court there, in its concluding paragraph emphasizes the fact that the same acts which constituted the alleged infringement also gave rise to the other complaints, and accordingly it was called upon to give complete redress for those acts, even though part of that redress was based upon rights which alone it would not have had jurisdiction to vindicate. The following decisions in other jurisdictions sustain the same doctrines announced in *Vogue v. Vogue*, namely, *Ludwigs v. Payson*, 206 Fed. 60, where infringement of a patent was upheld and so damages for unfair competition arising out of the same acts were allowed; *Farmers' Co. v. Beaver Co.*, 236 Fed. 731; *Burns v. Automatic*, 241 Fed. 472, where the same results were reached. (See: Trial court decisions referred to in annotation of *Vogue v. Vogue*, 12 Fed. 2nd Series, 994.)

It cannot be said that the bill of complaint herein did not ask for the relief granted by the lower court. The bill contained a prayer for general relief. (See: R. 26.) It also asked for an accounting for the infringement of the rights of the Progressive Evaporator Company, which rights included not only the infringement of the right to the use of the patented inventions, but also the right to the exclusive use of the unpatented inventions. It is the general rule that a court of equity can give the complete relief, which the facts show is necessary when there is a prayer for

general relief, even though the specific relief given is not mentioned in the prayer. See:

U. S. v. Carter, 30 Sup. Ct. 515, 217 U. S. 286;
35 L. R. A. (N. S.) 543;

Missouri etc. R. v. Murphy, 90 Pac. 290, 75
Kan. 707;

Bells Estate v. St. Johnsbury etc. R., 81 Atl.
630, 85 Vt. 240.

RECAPITULATION.

Accordingly, we submit, first, that the corporation is entitled in this action to an accounting for violation of its rights to the exclusive use of the unpatented inventions given it by the said license agreement as well as an accounting for the infringement of the patent, as the one is involved in the other, and as they arise out of the same acts and wrongs of the defendants; second, that this is the established rule of the federal court, and to hold otherwise would be in conflict with the established principle set forth in the *Vogue* case; third, that if there is any doubt or dispute that the unpatented inventions are all embodied in the evaporators manufactured and sold by the defendants in violation of the corporation's rights, this question should be given to the master or the lower court to determine.

We respectfully submit that the judgment of this court in this action should be amended to require the defendants to account for the infringement of the unpatented as well as the patented inventions embodied

in the plants and evaporators sold by them in violation of the corporation's rights.

Dated, San Francisco,
August 29, 1927.

Respectfully submitted,

ALEXANDER D. KEYES,

HERBERT W. ERSKINE,

MORSE ERSKINE,

Attorneys for Appellees.

